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Message Text

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ACTION OES-07

INFO OCT-01 ARA-10 ISO-00 SSO-00 H-01 OIC-02 PA-01
INRE-00 NSCE-00 ICAE-00 SOE-02 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 DOE-15 INR-10
INT-05 L-03 NSAE-00 OMB-01 PM-05 SP-02 SS-15
STR-07 TRSE-00 ACDA-12 /113 W
----------114517 251559Z /75
O 251544Z MAY 78
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC IMMEDIATE 0446

C O N F I D E N T I A L MEXICO 08687

E.O. 11652: N/A
TAGS:ENRG, MX
SUBJECT: RESUMPTION OF NATURAL GAS CONTRACT NEGOTIATIONS

1) REPS FROM MEMBER COMPANIES OF THE US GAS CONSORTIUM WERE IN MEXICO CITY AS NEWS BROKE CONCERNING THE HOUSE CONFEREES ACTION ON THE GAS SECTION OF THE ENERGY BILL. MOST INTERESTED PARTIES REGARD FINAL HOUSE/SENATE CONFERENCE COMMITTEE ACTION AS THE SIGNAL TO RESUME CONTRACT TALKS.

2) EMBASSY IS CONCERNED THAT THE CONSORTIUM AND PEMEX WILL ONCE AGAIN LOCK THEMSELVES INTO AN UNACCEPTABLE CONTRACT. ACCORDING TO VARIOUS CONSORTIUM REPS GOM SHARES THIS CONCERN AND HAS DIRECTED PEMEX NOT TO RESUME NEGOTIATIONS UNTIL THE USG POSITION ON PRICE AND TERMS IS CLEAR.

3) CONSORTIUM REPS HAVE FLOATED PART OF NEW CONTRACT STRATEGY TO EMBASSY. THEY FEEL THAT PEMEX AND THE GOM CAN BE SOLD ON THE SAME TERMS ACCORDED TO US PRODUCERS BY THE GAS SECTION OF THE ENERGY BILL, E.G., $1.75/MCF AT THE WELLHEAD (STARTING IN APRIL 1977 AS PER THE ENERGY BILL) WITH CONFIDENTIAL

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ESCALATORS TIED TO THE US COST OF LIVING INDEX AND THE OTHER COST PROVISIONS NOTED IN THE BILL. THE REPS SUGGEST THAT THIS, ALONG WITH TRANSPORTATION COSTS TO THE BORDER, WILL GIVE THE MEXICANS WITHIN TEN CENTS OF THEIR ASKING PRICE WHEN THE CONTRACT IS SIGNED AND WILL ACTUALLY EXCEED THE PRICE OF NO. 2 FUEL OIL DURING THE EFFECTIVE CONTRACT PERIOD.

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4) EMBASSY SUGGESTS THAT DOS/DOE CONTACT THE CONSORTIUM, OR PREFERABLY THE AMERICAN GAS ASSOCIATION, MEMBERS SOONEST TO ENSURE TERMS OF NEW CONTRACT OFFER FALL WITHIN ACCEPTABLE LIMITS. IT IS IMPORTANT THAT USG MOVE QUICKLY AND THAT ALL PARTIES MOVE QUIETLY. WE WANT TO EMPHASIZE STRONGLY TO WASHINGTON AGENCIES CONCERNED THAT MEXICAN PUBLIC OPINION ON OIL MATTERS SEVERELY CONSTRAINS MANUVERABILITY OF MEXICAN NEGOTIATORS. IT IS IMPORTANT THEREFORE WE GET THIS NEGOTIATION STARTED ON THE RIGHT FOOT AND GOING DOWN A ROAD WE BOTH WANT TO TRAVEL. IF MEXICAN PRESS PICKS UP NOTION THAT NEW CONTRACT TERMS COULD BE SWEETER THAN THOSE OFFERED IN THE OLD CONTRACT, PEMEX/GOM MAY BE LOCKED INTO UNACCEPTABLE TERMS OR BE PUT INTO THE POSITION OF HAVING TO STICK BY THE ORIGINAL CONTRACT. LUCEY

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Message Attributes

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Control Number: n/a
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Decaption Date: 01 jan 1960
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Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
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Disposition History: n/a
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Litigation History:
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Subject: RESUMPTION OF NATURAL GAS CONTRACT NEGOTIATIONS 1) REPS FROM MEMBER COMPANIES OF THE US GAS CONSORTIUM WERE IN MEXICO CITY AS NEWS BROKE CONCERNING THE H
TAGS: ENRG, MX, US
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/d4c9ba96-c288-dd11-92da-001cc4696bcc
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